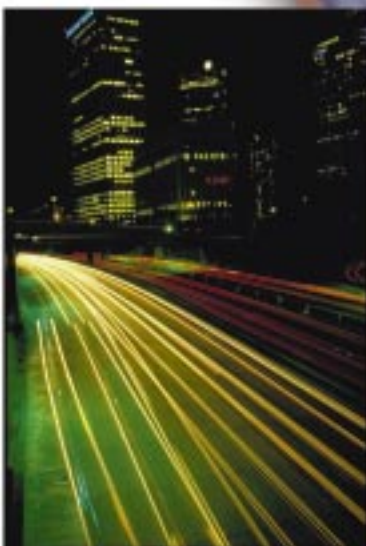


DEFENSE ENERGY SUPPORT CENTER

DEFENSE LOGISTICS AGENCY

Fuel For Today's Forces



Energy for Tomorrow's Mission

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*Fuel for Today's Forces
Energy for Tomorrow's Mission*



Produced by the Defense Energy Support Center
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www.desc.dla.mil

DEFENSE ENERGY SUPPORT CENTER

Mission. . .

To provide the Department of Defense and our customers comprehensive energy support in the most effective and economical manner possible.

Vision. . .

To be recognized as the best and most effective energy support organization in the world.



Left to right: Deputy Director Col. Joseph T. Thomas; Chief of Staff Capt. John S. Proctor; Director Gary S. Thurber; Deputy Director for Operations Col. Raymond L. Rodon.

VALUES

While achieving our mission, 10 basic values guide our daily activity and vision for the future. We are committed to:

Customer Satisfaction

We provide competent, reliable service involving employees and customers in the decision-making process.

Responsible Resource Management

We make the most effective and efficient use of taxpayer dollars as stewards of the public trust.

Ethical Conduct

We demonstrate integrity in all of our dealings with industry, federal agencies, our fellow employees and the communities in which we live.

Vision

We effectively guide our organization to industry leadership in an ever-changing environment.

Success Through Teamwork

We promote achievement in a work environment that encourages creative ideas, listening and respect for people.

Leadership

We demonstrate excellence through innovative programs and policies.

Continuous Improvement

We always strive to make process improvements to do business smarter and better.

Pride of Workmanship

We produce quality work that enhances the organization's performance and provides team and personal satisfaction.

Environmental Sensitivity

We establish policies and conduct operations with a strong sense of environmental awareness.

Responsible Citizenship

We are actively involved in our communities.

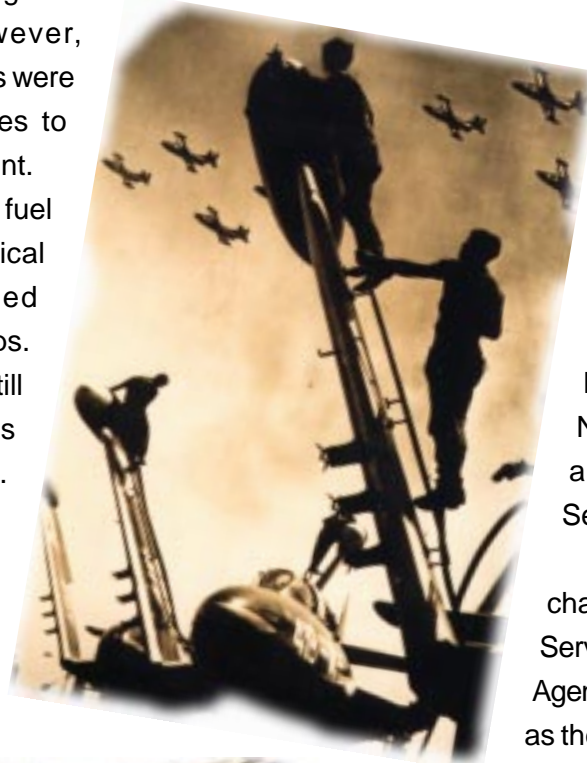
Evolution of Energy Logistics

During World War I, a Unit Commander was responsible for all logistics support. His primary concern in equipping his troops for battle consisted of a short list—beans, bullets and oil. Back then, oil was packaged in 55-gallon drums and delivered to the front lines by any means of transportation available.

World War II brought some improvement in acquiring and distributing fuel; however, thousands of 55-gallon drums were still hauled to the front lines to refuel vehicles and equipment.

The introduction of the fuel truck signaled a technological advance which enhanced logistics support to the troops. However, this process was still very slow. Pumping fuel was difficult and unsafe. Distribution remained a major problem.

To address the critical petroleum issues of World War II, the Defense Energy



Support Center's earliest precursor organization, the Army-Navy Petroleum Board, was established on July 14, 1942.

In 1945, the Army-Navy Petroleum Board became the Joint Army-Navy Purchasing Agency and was managed by the Secretary of War.

The organization's name changed in 1948 to the Armed Services Petroleum Purchasing Agency, and in 1957, it functioned as the Military Petroleum Supply Agency. In 1962, the agency became the Defense Petroleum

Supply Center, a charter element of the Defense Supply Agency (later renamed the Defense Logistics Agency). The organization was designated the Defense Fuel Supply Center in 1964.

In 1973, the Center's role expanded from a central fuel procurement activity to the

Department of Defense's comprehensive Integrated Materiel Manager for bulk petroleum. This implementation occurred in two phases. Under Phase I, the Center managed the acquisition, storage, distribution and sale of fuel with responsibility ending at the Service installation boundary.

In 1991, the Office of the Secretary of Defense directed the completion of Integrated Materiel Management (IMM), termed Phase II. As an ongoing process improvement, the Center's ownership of bulk petroleum products was expanded to include most bulk storage installations. The result—DESC now owns all DoD bulk petroleum product from point of purchase until it is used to power aircraft, tanks and ships.

In February 1998, the Defense Reform Initiative Directive, approved by the Secretary of Defense, increased the Center's mission to include electricity and other energy-related services. To reflect the mission expansion, the Center's name was changed to Defense Energy Support Center (DESC).

The simple World War I checklist of beans, bullets and oil is now a distant memory. Scientific and technological advances have automated and computerized many of the functions of war, and as these advances are made, DESC will continue to be there, providing world class energy support to our warfighters and federal government agencies, *around the clock, around the world.*

"The Army-Navy Petroleum Board is strictly a product of this war (World War II). It naturally came into being and grew in strength as the high military authorities saw their dominance in the war being developed by the internal combustion engine. As they measured the fuel needed for war areas whose land was to be covered by mobile equipment of all kinds, and whose air was to be crowded with tens of thousands of planes, and as they saw the seas with great flotillas of fighting vessels, also driven by petroleum, and great convoys of supply ships moved by oil, and carrying munitions and more petroleum to the fighting units, the need for procuring and handling petroleum products on the most gigantic scale in history was driven home and the Army-Navy Petroleum Board was born."

*—From an August 1945 edition
of National Petroleum News*

DESC—Keyword: *Commitment*

As the organization which purchases and manages the Department of Defense's energy products, the Defense Energy Support Center has distinguished itself as a national asset for our nation's defense. Whether our Armed Forces engage in peacekeeping operations or emergency relief



At the Defense Energy Support Center, our goal, energizing the Military Services' next mission, is always in sight.

missions, DESC's role is crucial to their success. *Without us, aircraft don't fly, ships don't sail and ground equipment doesn't move.* The Center ensures the Military Services accomplish their mission anywhere in the world.

In our role as a petroleum materiel manager, DESC supports the Military Services and federal agency customers at over 4,000 locations. This dedicated service provides product to the Statue of Liberty and the Grand Canyon National Park, and from the Antarctic to your neighborhood postal delivery truck.

The Center purchases more light refined petroleum product than any other single organization or company in the world. With a \$3.5 billion annual budget, we procure nearly 110 million barrels of petroleum products each year. That's enough fuel for 1,000 cars to drive around the world 4,620 times—or 115.5 trillion miles.

To meet customers' needs, DESC manages 250 national stock numbers for petroleum products. The Center manages jet fuels, aviation gasoline, automotive gasoline, heating oils, power generation, naval propulsion fuels, lubricants, natural gas and coal. The key military fuels procured are: JP-5, a kerosene-based jet fuel primarily used for Navy carrier-based aircraft; JP-8, a kerosene-based fuel similar to Jet A-1, a commercial jet fuel; and F-76, a U.S. naval diesel similar to marine gas oil.

As electricity began to deregulate, DESC engaged this new market and is prepared to ensure the continued reliable supply of electricity and related services while providing cost savings to its military and federal civilian agency customers.

DESC is divided into four commodity business units, each specializing in a specific product or process. By taking advantage of an integrated teaming concept, DESC's customers enjoy "one-stop shopping" for all of their needs. Whether the issue pertains to requirements, transportation, contracting or quality, a solution is just a phone call away.

Our commitment to providing our customers with top-notch service, balanced with our commitment to a highly trained work force, make an outstanding combination.

Commitment to Partnerships

DESC has strong, long-standing partnerships with the Military Services and industry suppliers to work on mutually beneficial research such as JP8+100 and finding answers to fuel-related quality problems. This partnership includes the Training With Industry (TWI) program, where military officers work at petroleum refineries in various departments to enrich their understanding of the refinery process, distribution and transportation. After a year with industry, these officers either bring their expertise to DESC or take it back to their respective Service—a win-win for everyone.

DESC's success in providing logistical support and on-time, on-spec product to its customers around the world rests on cooperation, dedication and exceeding expectations to meet mission needs—whenever and wherever they occur.



Every two years, the Center hosts the Worldwide Energy Conference, where the three parts of the energy triangle—industry, federal agencies and DESC—network, exchange ideas and learn about new energy technologies.

Whether the issue pertains to requirements, transportation, contracting or quality, a solution is just a phone call away.



Commitment to Our Work Force

With headquarters at Fort Belvoir, Virginia, DESC is one of five inventory control points in the Defense Logistics Agency (DLA). Although the Center's work force handles over 30 percent of the Agency's procurement budget, the 677 DESC employees worldwide account for a relatively small percentage of the DLA work force.

Part of the Center's strength is found in the diversity of its work force. Management analysts, chemists, contracting officers, environmental engineers, computer programmers, inventory



DESC employees fly on a KC10, learn its mission, and actually watch fighter planes "lock on" for a refueling.

managers, auditors, economists, attorneys and quality assurance representatives are just a sampling of the wide range of specialists who guarantee customer support. The Center's commitment to its employees is manifested in strong career development programs. Managers are often promoted from within the organization, resulting in an executive staff seasoned with years of corporate knowledge and technical expertise.

In 1997, DESC started the Multifunctional Training Program, which provides employees with the opportunity to participate in rotational/



DESC career professionals provide "Outstanding Scholars" with guidance and mentoring.

developmental assignments within the DESC Commodity Business Unit (CBU) structure, allowing them to achieve journeyman-level experience in the contracting (1102) career path, plus one other function. The multifunctional training program provides flexibility to DESC in reassigning employees to meet changing mission requirements and provides employees who are selected for the program with broader-based experience to enhance their careers and value to the organization.

Through the Outstanding Scholar Program, the Center recruits top level college graduates with a 3.5 grade point average or higher. Outstanding scholars enter an intense training program which combines on-the-job training with continuing education classes to take them from the apprentice- to journeyman- level of expertise.

Commitment to Partnerships

DESC's Workforce Development Team, part of the Resources Management Directorate, ensures that the DESC work force is highly trained and qualified by offering professional and educational development through a wide variety of government and non-government sources. The team provides a service center—the Workforce Development Office (WDO)—to help employees with their career objectives, tuition assistance and individual development plans.

WDO is the Center's focal point for employee training and education, assisting DESC employees and CBU training coordinators with their plans. The WDO also offers numerous courses geared toward instructing DESC and non-DESC employees in various business processes. One example, the Energy Indoctrination Trip, takes employees on a three-day tour of fuel facilities in the Hampton Roads, Virginia area, providing hands-on, in-the-field experience.

Other programs offered include Defense Acquisition Workforce Improvement Act (DAWIA) training and certification, and Defense Acquisition University courses. WDO has also developed the DESC

Automated Training System (DATS) to electronically submit, track and compile employee training and certification records. This powerful tool allows employees and management to review “real-



time” individual development plans, training records, resources data and DAWIA status.



DESC's Commodity Business Units

**Carrying Out
Our Mission... Total Energy Support**



Alternative Fuels

Alternative Fuels procures natural gas, electricity and coal, and assists with utility privatization and energy demand management for Department of Defense and federal civilian agencies in the continental United States and Alaska.

This CBU is the single manager for the DoD Direct Supply Natural Gas Program. Alternative Fuels closely tracks the natural gas industry to take advantage of deregulation, thus providing more than 200 customers with substantial cost savings by purchasing gas from a source other than the

local utility company. Cost savings since the inception of the program exceed \$200 million.

Additionally, this CBU has successfully engaged the restructuring electricity market. Basic agreements have been executed with nine suppliers covering the three regions where restructuring has occurred and, to date, this CBU has solicited for electricity requirements of DoD activities located in Rhode Island, California, New York and Pennsylvania. As additional states deregulate, the CBU is prepared to competitively procure electricity on behalf of DESC's customers.

Bulk Fuels

Bulk Fuels provides contracting, distribution, transportation, inventory control and quality support for bulk fuels worldwide, accounting for about three-fourths of all fuel supplied by the Center.

Commodities managed by this CBU include: JP-5 and JP-8 jet fuels, F-76 diesel fuel, motor gasoline, jet fuel additives and lubricants for domestic and overseas uses.

Bulk Fuels also procures and solicits for the sale of crude oil for the Department of Energy, which manages the Strategic Petroleum Reserve Program. This CBU has divisions that manage contracting, inventory and distribution, transportation rates and policy. The Bulk Fuels CBU also provides quality and product technology support for all of the CBUs in the Center.

Coming Soon to DESC... Aerospace Fuels



In the future, there are plans for three divisions of the Air Force Aerospace Fuels Directorate, located in San Antonio, Texas, to transfer to DESC, and for the Directorate to become a DESC CBU.

Direct Delivery Fuels

The Direct Delivery Fuels CBU provides the Military Services, DoD activities and designated federal agencies worldwide with acquisition and management for ground, aviation and ship propulsion fuels delivered directly to the customer from commercial vendors.

Ground Fuels provides military and federal civilian facilities throughout the world with commercial ground and utility fuels through the Posts, Camps and Stations program. Customers include the Military Services, the National Guard and Reserves, the U.S. Postal Service, the General



Services Administration, Amtrak and the U.S. Department of Transportation. The Ground Fuels Division also manages the Fleet Credit Card program, which enables drivers of DoD vehicles to buy fuel at commercial gas stations using purchase cards.

The **Specialty Fuels Division** contains two branches: Into-Plane and Ships' Bunkers. Into-Plane contracts allow government aircraft from military and federal civilian agencies to purchase fuel and refueling services at commercial airports at substantial discounts from the posted airport price. Customers receive fuel subject to strict quality standards. The Into-Plane Branch has also developed the AIR Card (see page 19 for details).

Commodity Business Units

The Ships' Bunkers Fuel Program provides various grades of ship propulsion fuels for combatant ships, Coast Guard vessels and various classes of U.S. government-owned and chartered ships at commercial ports worldwide. Bunkers contracts are in place servicing customers at 91 ports domestically and 85 ports overseas.

Facilities and Distribution

From inventory accounting at worldwide storage locations to writing international agreements and providing support to Foreign Military Sales agreements, this CBU provides global support to the warfighter.

The right amount of fuel, at the right location, at the right time begins with the creation of the Inventory Management Plan (IMP). Annual publication of the IMP culminates a major partnership effort between the Unified Commands, Military Services and DESC Inventory Managers to establish how bulk petroleum requirements will be stored and located worldwide in support of operations plans.

Facilities and distribution specialists manage worldwide fuel terminal operations as well as



storage and acquisition programs. They program for operations and maintenance of government-owned, contractor-operated and contractor-owned and operated facilities. Engineers manage real property maintenance activity and military construction projects. Environmental protection specialists ensure prevention, control and abatement of environmental pollution at DoD fuel facilities, activities and related programs.

Contracting specialists and contracting officers purchase services required for storing bulk petroleum products as well as services required for other areas of fuel operations, including environmental protection and aircraft refueling. Supply system analysts continually review planned inventory levels and programmed operation of fuel facilities to ensure optimal utilization of resources. Transportation management specialists continually review distribution infrastructure to ensure optimal utilization of transportation resources such as pipeline tenders and guaranteed traffic programs. This CBU is also responsible for administering the DLA Safety and Health Program throughout the world for DESC.



...competent, reliable service involving
employees and customers in the decision-
making process



...industry leadership in an
ever-changing environment



DESC Contractors

Working with Companies

The Defense Energy Support Center contracting base ranges from small, local operations to the industry's leading manufacturers. DESC's contracting base is nearly 1,000-companies strong, with significant representation by both small and large businesses. Competitively awarded contracts ensure the lowest possible price and constant supply to our customers.

The top 10 contractors are multinational refining and distribution corporations, and foreign corporations representing about half of our dollar outlay.

DESC fosters a strong commitment to small businesses. The Center provides several programs to ensure contracting opportunities for companies that would be unable to compete equitably for contracts under normal circumstances—the Small Business Administration's (SBA) Section 8(a) Program, the Small Business Set-Aside Program and a revised Small Disadvantaged Business (SDB) Program, which includes both the price evaluation adjustment for SDBs and the SDB Participation Program. These programs and others level the playing field for small businesses, so competitive companies of any size can compete for our business. More than 20 percent of contracts are awarded to companies that qualify under the Small Business and Small Disadvantaged Business programs.

DESC's Small Business Office (SBO) offers detailed information regarding the numerous programs designed to assist small businesses. Contact Kathy S. Williams, Associate Director of Small Business, or a staff member at 1-800-523-2601 or 1-800-468-8893/703-767-9400, or access the Small Business page on DESC's Web site at www.desc.dla.mil/main/d/du/home_du.htm.

Large *and* Small



How to Do Business with DESC

There are several methods of expanding opportunities for bidding on Department of Defense and Defense Energy Support Center solicitations. The primary and most successful method is the Bidders Mailing List.

The Bidder Mailing List Application (Standard Form 129) gives firms the opportunity to receive solicitations for which they have an interest. After completing the SF129, the firm is assigned a bidder code.

Other ways that firms can find out about business opportunities include the *Commerce Business Daily*, public displays of solicitations, related publications and the Internet. All solicitations are posted on the DESC Home Page at www.desc.dla.mil.

Success in securing DESC business is determined by competition among offerors. The solicitation must be read carefully in order to understand the terms, conditions and requirements.

Contracts are written under rules mandated by the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS).

The FAR and DFARS impact all military contracts and identify two acquisition processes: sealed bidding and negotiations.

The Invitation for Bid (IFB) is used in sealed bidding, which employs competitive bids, public openings and awards. All IFBs are open to the public.

The Request for Proposals (RFP) is a negotiation process which allows government and prospective contractors to discuss terms and conditions of the contract.

DESC's contracting process is also affected by two acquisition acts: the Federal

Acquisition Streamlining Act of 1994 (FASA) and the Federal Acquisition Reform Act of 1996 (FARA). These acts allow DESC to buy many requirements using commercial specifications and more streamlined procedures.

DESC has domestic and overseas programs to purchase petroleum-related services. Our contracting personnel will happily answer questions about contracting requirements in any geographic location.



In Croatia, Colonel Joseph Thomas, DESC deputy director, looks on as Lula Manley, DESC contracting officer, signs a contract with Crodux CEO Ivan Cermak.

Additional information can be found on the DESC Home Page at www.desc.dla.mil or call 1-800-286-7633.

DESC Purchase Programs

Like private industry, the Defense Energy Support Center has a diverse customer base, some with special needs. DESC tailors its business operations to provide the best customer support possible in purchasing bulk refined petroleum products, coal, natural gas, synthetic fuels and electricity for the Military Services and more than 4,000 federal civilian agencies around the world.

DESC's contracting specialists administer numerous procurement programs to best meet the diverse needs of customers.

Bulk Contracts

Very large quantities of jet and diesel fuels are managed by the Bulk Fuels CBU. These purchase programs account for about three-fourths of the fuel supplied by the Center. Contracts are written for JP-5 and JP-8 jet fuels, F-76 diesel fuel, motor gasoline, jet fuel additives and lubricants for domestic and overseas use.

Worldwide requirements are divided into four major purchase programs:

Western Pacific contracts are awarded each December for delivery from January 1 through December 31. They support U.S. Military Forces in Guam, Japan, Korea, the Middle East, and elsewhere in the Pacific and Indian Oceans. Products typically purchased are jet and diesel fuels, and gasoline.

U.S. East and Gulf Coast contracts are awarded each March for delivery from April 1 through March 31. Requirements are for JP-5 and JP-8 jet and diesel fuels. This program also includes requirements in Panama, Puerto Rico and Guantanamo Bay, Cuba.

Atlantic, Europe and Mediterranean contracts are awarded each June for delivery from July 1 through June 30 and supply jet and diesel fuels to customers in Europe, Iceland and the Azores.

U.S. Inland and West Coast contracts are awarded each September for delivery of jet and diesel fuels from October 1 through September 30 each year. Requirements for Hawaii and Alaska are included in this program.

The Bulk Fuels CBU also manages other purchase programs to acquire jet fuel additives, bulk lubricants and resupply for the Air Force at Thule, Greenland, and the National Science Foundation at McMurdo Sound, Antarctica, during the very limited ice-free shipping seasons at those ports.

The CBU uses a sophisticated linear program, called the Bid Evaluation Model (BEM), to determine the "lowest laid in" cost of product to its customers. BEM considers product, the additive, and distribution costs as well as offer quantities, transportation and storage terminal thru-put constraints, and offeror-submitted minimum quantity requirements.

Posts, Camps and Stations Contracts

DESC awards Posts, Camps and Stations contracts on a regional basis, dividing the United States into eight separate geographic areas, with a ninth region for Alaska. Contracts cover fuel for ground operations such as diesel, gasoline, heating oil and related fuel products. The Center also solicits fuel for the General Services Administration Fuel Yard for deliveries to the White House and federal civilian agencies in the

Washington, DC, metropolitan area.

Bunkers Contracts

DESC writes requirements contracts for the direct delivery of ships' bunkers fuels at 91 U.S. and 85 overseas designated locations. Delivery of product is specified free on board (FOB) destination to the ship by either pipeline, barge, tank truck or tank wagon. Agreements are usually multi-year contracts.

Into-Plane Contracts Program

Contracts are awarded to supply fuel and refueling services to customers at approximately 500 commercial airports worldwide where military bases with refueling capabilities are not readily available. The Into-Plane Program allows government aircraft and military and federal civilian agencies to refuel at a substantial discount from the posted airport price. At contract locations, aircrews present an AIR Card to receive supplies and services (see page 19). Any unit (individually or combined) requiring more than 15,000 gallons of product to support military and government agencies at commercial locations can participate in this program. Within the continental United States (CONUS), contractors are usually small business, fixed-

base operators. Internationally, the contractors are usually major oil companies.

Contracts are used by both military and federal civilian pilots, including the Air Force, Forest Service, Federal Aviation Administration and Central Intelligence Agency. Contracts are multi-year agreements, with one-fourth of them awarded during a two-year cycle beginning either April 1 or October 1.

Alongside Aircraft Refueling Program

DESC teams with the Navy and Marine Corps to achieve the goal of getting fuel to the customer via the Alongside Aircraft Refueling Program. Execution and management of the contracts supporting this program is a shared responsibility between DESC, the Navy and the Marine Corps. Contractors provide the necessary labor and equipment to refuel fixed and rotary wing aircraft at more than 25 Navy and Marine Corps installations worldwide using government-owned fuel. Additionally, contractors also operate tank farms at many of these locations.

Coal Contracts

DESC purchases one million tons of coal annually for approximately 25 military installations in CONUS, Alaska and Europe. All contracts are administered at DESC except the European

contract, which is administered by the Army. Contractors bill customers directly for all orders placed. Customers consist of the Army, Navy, Air Force and federal civilian agencies. Coal contracts are in effect for one to two years—except in Alaska, where contracts expire after either one or five years. The five-year contract has price increase provisions for wages, transportation and land reclamation expenditures.



Alongside refueling—commercial contractors use government-owned fuel to refuel military aircraft at Navy and Marine Corps installations.

Specialized Programs

Bulk Lubes Contracts

Indefinite quantity contracts deliver to approximately 25 activities in CONUS, Hawaii, Guam and Japan. Delivery can be FOB origin or destination by truck, flexibag and intermodal tank container.

Natural Gas Contracts

These contracts direct the delivery of natural gas to Posts, Camps and Stations as well as various federal civilian activities. Gas is purchased for FOB delivery to the local distribution company (LDC) and then transported by the local distribution company to the installation. Pipeline



service is usually purchased as a part of the contract. The customer, however, contracts separately with the LDC for gas transportation from the “citygate” to its military base. Generally, customers place the orders and make payments to the contractors except under special conditions, where DESC handles this function.

Storage Contracts Program

Contracts are awarded for contractors to receive, store and ship government-owned fuel

in CONUS—currently numbering 14 Contractor-Owned, Contractor-Operated (COCO) locations and eight Government-Owned, Contractor-Operated (GOCO) facilities. Outside CONUS, the Storage Contracts Program includes 12 COCOs and six GOCOs. Contracts are fixed-price, multi-year (ranging between three and five years) instruments and are subject to the Service Contract Act. DESC pays for the contracts out of the Defense Working Capital Fund.

Other Services Contracts

DESC awards and administers all contracts, ensuring that quality fuel is delivered to our customers. Twelve commercial laboratory testing contracts, one bunker fuels testing contract, one Navy MGO testing contract, plus two dock services contracts in Florida and Maine guarantee that on-spec fuel is provided to the warfighter.

Automated Fuel Dispensing Facilities

Deteriorating fuels facilities, new operational requirements and increased environmental demands throughout DoD have created a backlog of fuels infrastructure projects.

These requirements and the continuing need to generate funds for force modernization have driven the Services to consider many alternatives once thought to be off-limits. Competitive sourcing, or privatization of some support functions such as fuels, which are not “inherently governmental” but have traditionally been performed by the Services, has now gained support at the highest levels of DoD.

With that in mind, DESC stands ready to team with the Services to seek out innovative ways

to competitively source or privatize fuel operations where and when it is the right thing to do. Two success stories in this area are the recently awarded contracts for Automated Fuel Dispensing Facilities at Army locations at Fort Bragg, North Carolina, and Schofield Barracks, Hawaii (see page 21). These contracts call for the contractor to provide facilities necessary to perform refueling services on military vehicles at each location. The fixed-price, five-year (multi-year) contracts have three five-year option periods.

Contractor-provided facilities means that money that would have normally been spent for maintenance repair and environmental concerns can now be redirected to areas of greater benefit, such as modernization. The focus on service core activities and mission readiness is also enhanced.

AIR Card Program

The Aviation Into-Plane Reimbursement (AIR) Card Program began October 1, 1998. Government aircrews now present their AIR Cards at DESC Into-Plane contract locations in lieu of the DD1896 Identaplate. The Identaplate will only be used at military installations until the bases are equipped with electronic point-of-sale readers. The AIR Card is a commercial fuel card, co-branded by AVCARD, the present DESC Credit Card Processor. It provides a benefit in two ways: it simplifies billing and procedures for fuel purchases, and it is used as a purchase card for ground services at contract locations.

The Services may also use the AIR Card for local purchase of fuel and ground services at non-contract locations. The AIR Card eliminates the need for aircrews to use paper processes. More importantly, the AIR Card provides Wing Commanders more insight into

their fuel consumption, and simultaneously helps DESC identify future contract locations. In less than one year in the test program, with less than full government aircraft participation, the cost avoidance to DESC customers using AIR Cards exceeded \$2 million.

The DESC Into-Plane Branch continues to strive toward implementing commercial practices to best meet the needs of the government customer, while maintaining the high quality, operational and safety standards our customers have come to expect from DESC contractors.

Strategic Petroleum Reserve Contract Program

DESC exercises procurement and sales responsibility for crude oil for the Department of Energy's Strategic Petroleum Reserve, a program used to store crude oil as a buffer against potential national energy emergencies.

Environmental Assessment and Remediation at DESC's GOCOs

Creative structuring of service contracts has led to economies of scale and reduced costs within the area of environmental assessment and remediation. Contracts for Environmental Assessment and Remediation Services at our CONUS GOCOs are written for five-year periods. Contractors are selected and prices for standard job units are fixed for the contract period. As the requirement to perform environmental services develops, individual task orders are negotiated and issued, taking into consideration the effort required and utilizing the fixed prices pre-established at the initial award.

In less than one year, the AIR Card saved DESC customers more than \$2 million.

Specialized Programs

The Fleet Credit Card: Fueling the Fleet with a Flick of the Wrist

A new innovation is available for drivers of military vehicles (cars, trucks, tanks, etc.) owned by the Department of Defense—the Voyager Fleet Card! Drivers may now pull up to a fueling station, swipe their new card through the reader, type in some basic information, pump the gas and drive away. This new, paperless procedure is made possible through DoD's contract with U.S. Bank

overall fuel use before negotiating with fuel suppliers for discounts from station pump prices.

In the past, smaller fuel operators have shied away from providing fuel for fleet cars because of the delay in payment. Now that payment is automatic, operators are more willing to participate.

In addition, fuel tax exemptions, a major part of the total transaction, can now be reviewed immediately



and its Fleet Card subcontractor, Voyager, to provide fleet credit card services for fuel and related maintenance to authorized military vehicles. The entire transaction is handled automatically—no messy paperwork and no waiting in line. The driver never leaves the pump.

The Fleet Card system automatically transmits very detailed information such as the date and time of the transaction, vehicle and driver ID, authorization number, fuel cost, federal, state and local taxes, and number of gallons purchased. This data, recorded on the Voyager server in Houston, Texas, is sent electronically to the Defense Finance and Accounting Service (DFAS) office, the vehicle's Military Service headquarters, the local fleet manager, or to DESC via an Internet connection.

The information provided has a variety of uses. For example, Service headquarters can compile information on the use of alternative fuels; a local fleet manager can uncover unauthorized use of the Fleet Card; and DESC can analyze

for applicability. The Fleet Card's quick response information will save DoD money because appropriate exemption from taxes will be immediate.

DoD's Fleet Card task order consists of a two-year contract, three one-year renewal options and five one-year renewal options—a combination which DESC hopes will allow the Fleet Card contract to continue into 2008! The U.S. Bank contract also calls for implementation of smart card technology when it becomes more prominent in the marketplace. Prototype smart cards contain an imbedded computer chip, rather than just a magnetic strip. With this chip, cards will be programmed with authorizations, dollar or item limits and other data that now resides on a central server. A single smart card could potentially be used not only for fleet purposes, but for travel and purchasing as well!

The new Voyager Fleet Credit Card is another innovative way DESC is harnessing technology to improve service to its customers!

DESC Enters the Gas Station Business

As DESC moves into the 21st century, we are reviewing new ways to provide fuel and fuel-related infrastructure to the Services.

The Department of Defense (DoD) is required to comply with EPA underground tank requirements. This compliance demands consolidation of inventory and centralized fuel management through quick, cost-effective and intelligent business solutions.

Under a new Central Service Station concept, DESC will create contracts to replace outdated infrastructure, consolidate inventories, and reduce manpower needs by having contractor-owned and operated gas stations provide JP8, diesel and gasoline. These commercially-owned and operated service stations eliminate the need for capital investment into government infrastructure, taking advantage of commercial efficiencies at the base level. In addition, they negate the need for service-required manpower to operate the stations.

In April 1997, the U.S. Army requested support from DESC to provide a solution for the lack of motor pool refueling infrastructure at Ft. Bragg, NC. The existing motor pool infrastructure consisted of 13 fuel points with underground tanks that did not meet 1998 Environmental Protection Agency (EPA) mandates. Three MILCON projects had been proposed requiring \$6.5 million to replace the 13 motor pool fueling stations; however, MILCON funding was not available.

The Army Petroleum Center (APC) and the Facilities and Distribution Management CBU at DESC looked at several alternatives and the possibility of privatization for providing this operation and service. The best solution was to have a contractor provide, operate and maintain two automated commercial fuel-dispensing stations (Central Service Stations) on government-furnished sites at Ft. Bragg. Each station would provide JP8 and gasoline with modern gas station pumps. There would also be a bulk truck/equipment loading rack at each station. The stations would be automated using

a key lock system (similar to a credit card system) that would record Defense Fuel Automated Management System (DFAMS) inventory reporting requirements. Fuel would be provided to these gas stations under a bulk fuels contract.

APC, DESC and Ft. Bragg developed a performance-based Statement of Requirements (SOR) for a Contractor-Owned, Contractor-Operated (COCO) service contract utilizing commercial standards and practices. This solicitation became the pilot for future stations in the continental United States. The resulting Ft. Bragg service contract was awarded with a performance period of October 1,



A soldier fuels up at the new Automated Fueling Dispensing Station at Fort Bragg, North Carolina.

1998 through September 30, 2003, with three five-year options to renew. The Ft. Bragg site became operational in November 1998. All environmental compliance responsibilities rest with the contractor.

Schofield Barracks, Hawaii, was recommended as the test site for the overseas pilot. With this initiative in place, the installation established a closure plan for all motor pool fuel points, mobility fuel points and bulk tank farms at Schofield and Wheeler Air Field, which consists of 12 sites. Privatization of fuel facilities was found to be the most cost-effective and timely solution. The Schofield Barracks service contract was awarded with a performance period of December 18, 1998 through December 17, 2003, with three five-year options to renew. The Schofield Barracks site became operational in December 1998.

Cost-Saving Initiatives

Because technology paves the road to the 21st century, the Defense Energy Support Center is preparing to travel that road at the forefront of the industry—and on a fast track to the future.

While no one knows precisely what the future will hold, there is no doubt that the information age and the technologies that improve the way we do business will set the standard for the future. The Center partners with its customers and suppliers to develop ways to improve business processes and enhance economies and efficiencies. These partnerships for progress ensure that DESC stays at the leading edge of technology and continues moving forward in these ever-changing times.

The Center has taken a giant leap forward in technology by developing the Fuels Automated System (FAS). This system will be the standard for the Department of Defense in managing all energy operational and financial processes. It enhances overall control of base level inventory, removes redundancies at various levels of data entry, and provides the Center and its warfighter customers with a superior management tool for sound decision-making. With FAS, DESC and its customers put the best technologies to work in their day-to-day operations around the world.

Additionally, the Center is committed to Electronic Data Interchange (EDI) as the standard way of doing business. Rather than requiring military specifications for its business, DESC is adopting industry standards. This technology has resulted in a “win-win” for both DESC and its

suppliers. Partnerships with industry have greatly improved the exchange of information, reduced volumes of paperwork, and decreased the time needed to process invoices and pay our suppliers.

The Center is committed to finding better ways to enhance business processes. In partnership with the Military Services, DESC now buys jet fuel that meets commercial specifications in many parts of the world. This has resulted in greater competition for our business and lower prices for our customers.

Other smart technologies are now part of our day-to-day business practices. Magnetic Strip technology is currently being used in the Ships’ Bunkers Program and will soon be used in the Into-

Plane Program. The Magnetic Strip process reduces paperwork between customer and contractor so that refueling at a commercial port or airfield is accomplished quickly. Buying fuel becomes as easy as using a commercial credit card to fill up your

automobile at the local gas station. To DESC’s advantage, we are getting better and more accurate consumption data. By the year 2000, the Magnetic Strip process will migrate to new technologies such as the Smart Card and web processing.

Conversion to a weekly price escalator in commercial fuel publications has reduced the administrative burden associated with contract payments to both DESC and its contractors.

As the Military Services continue to downsize and shift missions and equipment to new locations, DESC must review its distribution networks to find the most efficient means to support



Making Business Better

DESC Takes Advantage of the Latest Technology— Enhancing Customer Support and Satisfaction

the customer at the lowest cost. The distribution optimization process has allowed DESC to avoid spending millions of dollars on under-utilized fuel terminals and excess transportation fees. By closing excess terminals, increasing competition among product and service suppliers, changing transportation modes, and even partnering with industry to add new terminals, DESC is sensitive to the needs of an ever-changing force structure and the government's need to reduce costs.

How the Center buys fuel is another area that is being examined. Deregulation in the natural gas industry has enabled DESC to save its customers millions of dollars by buying this commodity at the wellhead. DESC conducts extensive studies that map out potential savings and then markets services to our customers in that geographic area. Electricity, the last remaining regulated utility, is in the process of being deregulated. By the end of 1999, it is anticipated that DoD will be able to competitively procure electricity in at least 12 states. DESC has already engaged this new market and is prepared to ensure the continued reliable supply of electricity and related services while providing cost savings to its military and federal civilian agency customers.

Consistent with Defense Reform Initiative (DRI) guidance to “manage energy, not infrastructure,” DESC established the Installation Support Contracting Division with the goal of becoming the DoD Business Manager for Utility Systems Privatization. Privatization is described as the divestiture of a utility system (including electricity, natural gas, water and wastewater) through transfer and conveyance of utility infrastructure assets in conjunction with the conveyee providing utility distribution services on a long-term basis. In accordance with DRI Directive #9, military departments must privatize all of their utility systems, except where needed

for unique security reasons or when privatization is uneconomical. In support of the privatization effort, DESC was tasked with assisting the military departments in the privatization of utility-related infrastructure.

The DRI also selected DESC to “assist and facilitate” DoD installations in meeting the requirements of the Energy Policy Act of 1992 and Executive Order 12902, which established energy reduction goals for government agencies. An innovative tool to

*Reengineering is about change. . . .
DESC will continue to be the energy
supplier of choice.*

accomplish these goals is energy-saving performance contracts. These contracts provide for investment in new infrastructure and energy conservation measures while concurrently reducing installations' overall energy consumption and costs. The contractor is paid out of the savings generated by the energy conservation measures. DESC is working closely with the Military Services and the Department of Energy to enable installations to meet their energy goals.

Reengineering is about change. It's about everyone participating in finding better ways to improve the way DESC does business and improve the working environment. DESC encourages its employees to be innovative and creative by submitting cost-saving ideas through the *Entrepreneur Award Program*. The Center's goal is to save \$1 million dollars every year through this program—savings reached by implementing customer and employee ideas.

By the year 2000, DESC will be smaller as a result of DoD downsizing efforts. But it will continue to fuel the forces with the same quality and excellence and uninterrupted, low-cost fuel support. By employing new technologies that bring about smarter buying practices and more efficient operational methods, DESC will continue to be the energy supplier of choice.

Transportation

The transportation of energy products is a significant part of any energy organization's business, and no one does it better than the Defense Energy Support Center. The Center spends over \$300 million annually to transport fuel to its worldwide customer base.

Whether the movement is across town or around the world, DESC employees arrange for transportation services tailored to fit the need, and take pride in providing customers with the best service at the lowest total cost. To determine transportation options, employees weigh the relative merits of each potential mode of transportation and determine shipping quantities and ultimate destinations of products prior to shipping from refineries and terminals. The Military Traffic Management Command (MTMC) has transportation contracting authority.

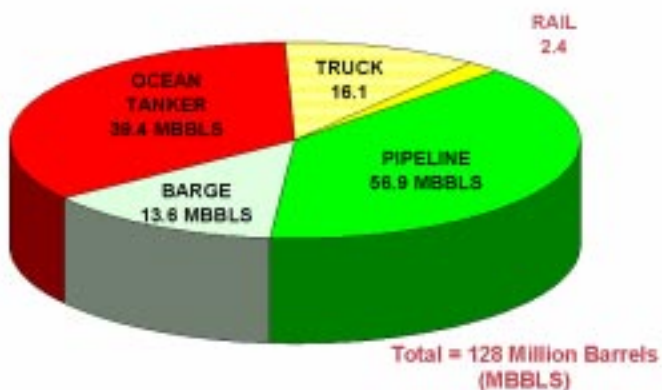


DESC transports refined petroleum products by pipeline, ocean tanker, barge, truck and rail car. The Center also transports natural gas by pipeline.

Pipelines are used whenever possible because of their environmental safety, reliability and low cost. About 40 percent of the fuel the Center transports worldwide is through pipelines, including nearly 60 percent of domestic shipments.

Barges and ocean tankers provide enough distribution flexibility to move fuel almost anywhere in the world. Fuel can be shifted to different locations according to need, and flexibility is key to resupplying deployed U.S. forces around the world. Ocean tankers also provide the capability of shipping large amounts—in DESC's case about 10 million gallons at a time. Because of this flexibility, DESC uses tankers and barges for delivery of nearly half of its total transportation requirements and for the majority of its overseas requirements.

**Modes of Transportation
FY 1998**



Rounding out the Center's domestic transportation budget, truck deliveries are used about 10 percent of the time, while rail tank cars are used for a small percentage of deliveries.

An important aim in every transportation decision is satisfying the customer's requirements at the lowest possible cost. Bulk fuels are purchased both free on board (FOB) origin and FOB destination, with most being FOB origin. Origin purchases enable the government to route shipments via the mode best suited to the operation, and to obtain the best possible freight rates.



The Center's strategically located energy regions and offices manage most of its transportation requirements, serving as focal points for arranging and coordinating fuel deliveries by pipeline, barge, tank truck and rail car. These offices maintain close working relationships with customers, terminals, refineries and MTMC. Also, they provide information and advice on transportation requirements, delivery patterns and efficient, economical movement of fuel within their assigned geographical areas of responsibility.

Shipments by ocean tanker are managed centrally in the Bulk Fuels CBU. The Military Sealift Command (MSC) charts the ships and retains operational control of them, responding to the scheduling requirements provided by DESC. DESC also closely monitors the loading and unloading times of the tankers and initiates claims to collect demurrage from suppliers who cause delays.

DESC on the Web...

Office of the Counsel

www.desc.dla.mil/main/d/home_g.htm

Providing information on ethics and fraud, this site includes fraud awareness newsletters, financial disclosure forms, DLA Internet policy and guidelines on the use of government-owned vehicles.

Direct Delivery Fuels

www.desc.dla.mil/main/p/home_p.htm

Offering Ground Fuels and Specialty Fuels, this site provides Into-Plane and Ships' Bunkers requirements, the latest in DESC's AIR and Fleet Card capabilities, solicitations, price adjustments and more.

Bulk Fuels

www//desc.dla.mil/main/b/b.htm

In addition to providing DESC Quality News, requirements, inventory control and distribution, the site contains Bulk Fuel's organizational structure, current solicitations and much, much more.

Information Systems

www.desc.dla.mil/main/s/home_s.htm

Displaying the FAS White Paper, this site offers an inside look into where each Information System team's responsibilities lie, gives specific objectives for the FAS program, and provides DESC Y2K information.

Facilities & Distribution Management

www.desc.dla.mil/main/f/home_f.htm

With information on the Maintenance, Repair, and Environmental (MRE) Program, MRE funding, Special Programs and the Inventory Management Plan, this site also contains solicitations and more.

Small Business

www.desc.dla.mil/main/d/home_du.htm

By no means small, the Small Business site displays DESC's active solicitations, services that the SB office provides and the Small Business Refinery Listing. If your business is small, stop by this site to find out what options are available to you as a potential supplier. For further information, contact Kathy Williams, Associate Director of Small Business, at 1 (800) 523-2601.

Resource Management

www.desc.dla.mil/main/r/rhome_r.htm

This site links any Web browser to the DESC Fact Book. Resource Management implements related policies and objectives including financial policy, funds control, automated finance and accounting systems, and various federally mandated resources.

Total Access



Defense Energy Support Center Around the Clock, Around the World

- What's New at DESC
- DESC Organizations
- Where We Are
- Customer Service
- Doing Business With DESC
- Events / DESC Employment
- Publications
- Directory
- Environmental
- Fuels Automated Systems (FAS)
- DESC Intranet (Employees Only)



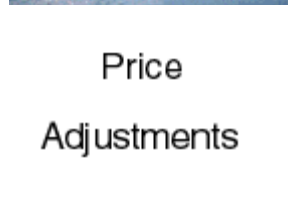
USAF Site



USMC Site



USN Site



Price

Adjustments



DESC Regions



USA Site



Other Sites



USCG Site

www.desc.dla.mil

DESC—Using Technology...

Fuels Automated System (FAS)

Information Technologies - Meeting the Challenges of the Next Millennium

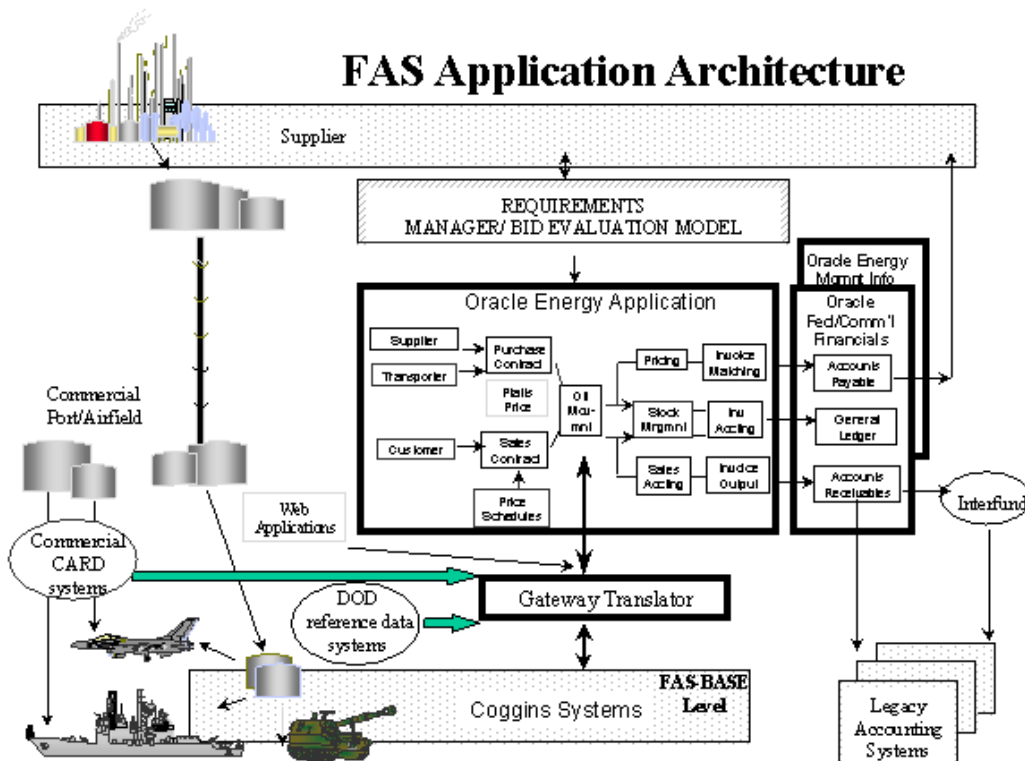
The Fuels Automated System, or FAS, will provide a better tool for the Defense Energy Support Center to manage its worldwide energy support mission. Initiated in 1995, FAS provides the information link from the retail sale of fuel at the base to the wholesale supply and distribution system at the enterprise level. FAS provides a single integrated management information system.

The FAS technical architecture is in place with systems that will handle the challenges of the next millennium. Over 400 FAS Base Level systems were deployed worldwide to DESC and Military Service fuel locations by the end of 1998. By the end of the FAS Base Level Deployment, 628 DoD locations, including Air National Guard and Army National

Guard and Reserves, will be connected to FAS. Coggins Systems' Fuels Manager, the primary Base Level software, provides for the ordering of fuel from existing contracts, documents receipts, records issues and sales, performs inventory accounting, and contains modules which schedule quality checks and track preventive maintenance checks. Another key feature of the FAS Base Level is its ability to receive electronic information from automated tank gauging systems (ATG), leak detection systems, and automated fuel service stations (AFSS), enhancing DoD's ability to monitor inventory and accurately account for fuel transactions, while meeting state and national environmental requirements.

Three Load Balancing Servers (LBSs) prorate the FAS Base Level system gateway to the Enterprise system. The LBSs, located in Virginia, Hawaii and Germany, validate the information received from the FAS Base Level and provide data warehouse information needed by the Enterprise applications.

The FAS Enterprise Level performs three main functions: contracting,



As We Create It

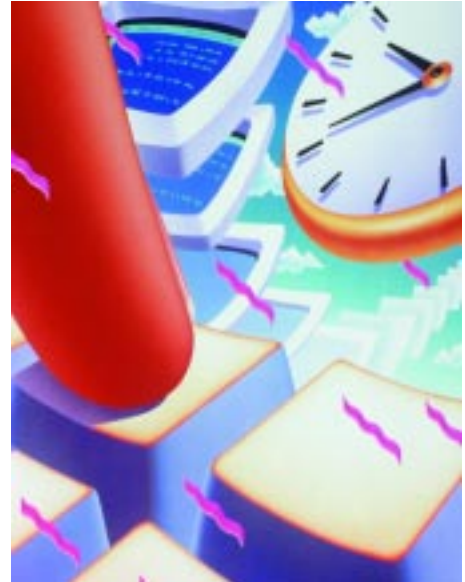
inventory and distribution, and financial management. The FAS Enterprise Level is scheduled to be implemented by the end of the year 2000. The pre-award contracting function will be met by the combined use of Requirements Manager, the Bid Evaluation Model and the Standard Procurement System. The Requirements Manager maintains mission-essential detailed data for each program. It produces the purchase requests and the solicitation schedules. In addition, Requirements Manager facilitates the fast and efficient evaluation of offers and speeds up contract awards. The Bid Evaluation Model increases the accuracy and efficiency of contract awards for all programs. Together, both systems substantially reduce procurement cycle times. Both systems are designed to work with the Standard Procurement System. When fully operational, the Standard Procurement System is expected to provide paperless contracting.

The Oracle Energy Downstream application will be used in the worldwide day-to-day operations to manage DESC-owned assets. OED will capture Base Level data and provide enhanced visibility on inventory positions, forecasts, storage and transportation capabilities at the Enterprise Level. It will be the primary tool for management of wholesale inventory and distribution, and will also support management of contract assets, including ordering, recording receipts and corresponding inventory adjustments, adjusting commodity prices with their markets, supplier invoice matching, and proper application of taxes. The OED will automate the transportation and storage processes and tie them into the inventory records, facilitating more efficient inventory management and resupply. The Management Information Warehouse will capture data at the

detail level and provide users with close to real-time access to data. These capabilities will greatly improve the quality of information available for management of day-to-day operations and future planning toward mission objectives.

The Oracle Financial Applications, including the Federal Financials, will be used for all financial management aspects of the FAS system. Oracle Federal Financials provides the basis for an integrated financial management solution for federal agencies. Some of the more important functional areas that DESC will be utilizing in this commercial off-the-shelf (COTS) package solution include U.S. Federal Payables, U.S. Federal Receivables and the U.S. Federal General Ledger, which will provide Prompt Payment Act and interagency billing functionality. The Federal Financials also include regulatory and ad hoc reporting. All of this provides a beginning step toward allowing the government to operate more closely with commercial practices.

FAS supports a wide range of electronic commerce (EC) and electronic data interchange (EDI) initiatives. For example, magnetic strip technology used to support the Ships' Bunkers Program is also being used in the AIR Card for Into-Plane Program and to help manage the use of DoD vehicles and GSA fleet cards. This technology captures point of sales information by using a



Technology

commercial credit card and provides essential information for user billing, vendor payment and fleet management.

DESC and its trading partners continue to reap the benefits of EDI. By exchanging business transactions electronically over phone lines, productivity is increased, costs are reduced and transaction times are drastically reduced. With FAS and EDI working together, the entire business process is handled electronically using standardized national formats.



DESC has begun to leverage the latest technologies offered by the World Wide Web and has moved quickly into this new form of EC. Suppliers can conduct business with DESC at the cost of only a computer and a Web browser. Through the use of a variety of Web technologies, DESC is making the exchange of information and business transactions quicker, easier and more accurate. Suppliers can now receive solicitations from the Web—in the near future, suppliers will be able to use the Internet to submit offers, receive orders and bill for product delivered.

As we move into the next millennium, DESC continues to explore the emerging technologies that are consistent with the achievement of its energy mission. Working with its trading partners and customers, DESC will continue to evaluate and implement those technologies that enhance our ability to provide a better, faster, cost-effective product to our customers.

Electronic Commerce

Another important component in the Defense Energy Support Center's drive to increase efficiency is Electronic Data Interchange. EDI is computer-to-computer exchange of standardized documents between customers and suppliers. With EDI, DESC customers' fuel requirements, solicitations, bids, offers, notifications, awards, funding, billing, payments, orders, shipping and receipts are exchanged electronically over phone lines or other communication links. The entire business process is handled electronically with government and industry using standardized formats approved by the American Petroleum Institute.

Using Electronic Data Interchange, DESC contractors get paid faster, information is transferred more efficiently, and manual entry of data is eliminated, which reduces errors. Also, productivity increases, out-of-pocket costs decrease, and transaction times shrink from weeks to days, and from hours to minutes.

A Logistics Management Institute study indicates that over a 10-year period the Department of Defense could achieve almost \$1.2 billion in savings by electronically processing 16 types of documents. Industry experience has shown savings-to-investment ratios of 10-to-1—a payback realized by customers, contractors and taxpayers.

DESC has already forged ahead with EDI programs to support pricing, Electronic Funds Transfer and invoicing. The Center plans to bring EDI programs supporting invoices, delivery tickets, quality, offers/bids and awards on-line in the near future.

Contingency Support

DESC, supplier of fuel to aircraft, tanks, ships and other Armed Forces equipment, plays a key role in DoD's ability to respond promptly to combat support or humanitarian relief efforts worldwide.

The Center continues to be part of a planning team that addresses the issue of humanitarian relief efforts in Bosnia-Herzegovina—Operation Joint Endeavor (OJE).

The Center has held a unique position during OJE, having been designated by NATO as role specialist nation (RSN) to provide all petroleum support not only to U.S. forces, but also to other NATO and non-NATO forces in the theater. DESC-Balkans is the on-site point of contact for responsive, efficient fuel support.

DESC-Europe's military and civilian specialists, along with augmentees from other region offices, the Center at Ft. Belvoir, Virginia, and reservists from the Military Services have volunteered to support this mission. They have worked in the forward areas in Croatia, Hungary, Bosnia and Serbia.

Because of everyone's dedication and devotion, DESC has enjoyed a high level of success and praise from its U.S. and other customers for topnotch products and support.

In recent years, DESC has responded to a number of military and civilian emergencies. Personnel deployed for 30 days to increase support for air and naval forces flying over southern Iraq during Operation Southern Watch and also arranged fuel support for aircraft providing humanitarian relief from Kenya to Somalia. DESC also played a minor role in the arrangements for fuel support for the United Nations oversight of free elections in Angola.

Optimization Division

In another effort to help maximize taxpayer dollars, DESC established the Optimization Division in the Facilities and Distribution CBU to analyze petroleum facilities and fuel distribution systems. The group ensures that these systems are able to meet DESC's needs at the lowest possible cost. Also, the division identifies new business opportunities that improve operational efficiency.

Using managerial accounting techniques, team members evaluate selected distribution systems and identify alternatives to those systems, or create alternatives. Once the current and alternate systems are identified, team members check transportation costs from the refinery to the

customer, the economic cost of any facilities involved in the distribution systems and any environmental or operational implications.

Team members also use graphical and statistical tools as well as decision support tools to validate mission support and logically evaluate qualitative data. Using simulation analysis, the Optimization Division is able to model large distribution systems and analyze multiple scenarios.

This Division also assists in reviewing all Service-related construction projects. DESC engineers determine if the project is designed as economically as possible, and then refer it to the analysis team to determine the project's value to meeting military petroleum requirements.

When analysis is complete, the Optimization Division makes a recommendation to the CBU chief or DESC Director based on their findings. Acceptance of these recommendations has resulted in substantial cost savings.

DESC Entrepreneur Award

In the spirit of the National Performance Review's goal to create government that "Works Better and Costs Less," DESC implemented the Entrepreneur Award Program in 1996.

The program focuses on changing obsolete business processes into new ones that will produce measurable savings. The Entrepreneur Award Program encourages employees and customers to submit ideas that will result in cost savings.

This program pegs itself as an entrepreneurial effort because it urges employees to be visionaries and participate in the success of the Center. Management is making an investment in the Entrepreneur Award Program because employee involvement is essential in reengineering the organization to meet the challenges of the 21st century.

Employees who present cost saving initiatives to make business processes work better have the opportunity to win cash awards and receive special recognition. The program will result in millions of dollars in savings and promote an organization that thrives in the 21st century.

Environmental Responsibility

Bettering the Earth Through Soil Bioremediation

In addition to providing quality fuel support, the Defense Energy Support Center is committed to being a good neighbor to the many communities surrounding its government-owned, contractor-operated terminals and customer storage facilities.

The Center recognizes the environmental concerns associated with its products. Although environmental actions tend to be costly, DESC makes the investment because the Center recognizes its responsibility to protect the public and the environment.

The Center is responsible for total environmental compliance with state and federal laws at each facility. DESC manages full-scale cleanup at terminals. Under Phase II of Integrated Materiel Management, DESC is responsible for funding compliance costs and spill remediation for over 450 locations.

Increased regulation and oversight at state and federal levels also greatly impact the Center's business. In response, DESC has taken preventive actions to increase the details in our spill emergency plans, conducted more pretreatment of waste water and minimized vapor

emissions during volatile fuel transfer. The major conversion from JP-4 to less volatile JP-8 jet fuel in the continental United States completes a worldwide program that has had a major positive impact on DESC's ability to reduce emissions. The possibility of release of toxic chemical constituents of fuel has declined as a result of the conversion to the universal use of JP-8.

Federal and state requirements for leak detection are also rapidly increasing. The Center is already installing automated fuel handling systems as the standard in all fuel terminals. This system uses emerging technologies such as automated fuel quantity measurement and statistical programs to assist in detection of the very smallest leaks.

In addition, DESC has a total commitment to pollution prevention. Among DESC's plans are agreements with regional environmental contractors to provide immediate response and subsequent cleanup for our terminals, thus eliminating cumbersome and more costly procurement actions.

Before



After



To save soil polluted with petroleum, DESC funds the BioPile Soil Remediation project at Defense Fuel Support Point, Verona, New York. Bioremediation is an inexpensive, safe and rapid way to convert petroleum-contaminated soil back to healthy soil. Through a layering process of polyethylene liners, clean soil, moisture, contaminated soil and hay, naturally-forming bacteria are created that biodegrade the petroleum, leaving fresh, petroleum-free soil in their wake.



Instructor at Fort Lee Petroleum School shows DESC employees how fuel is distributed, using a scaled-down version of a pipeline.



N₂O₄ Technical Escort Team member is decontaminated during simulated release at Holloman Air Force Base.



...to be recognized
as the best and most
effective energy
support organization
in the world

Worldwide Energy Support



As the link between the Defense Energy Support Center and its customers, the DESC regions and their subordinate offices are terminal managers, troubleshooters, problem solvers, inspectors, investigators, analysts and custodians. They physically complete the DESC mission.

"If bulk aviation and marine fuels and lube oils were a Broadway musical, the Defense Energy Support Center regions would be the choreographer. After DESC at Ft. Belvoir, Virginia, procures the fuel and issues a master distribution plan, DESC regions develop the most economical, yet effective, support patterns for each customer in the region, make all of the necessary arrangements for timely and smooth execution of the plans (including source identification and ordering authorization plans), and then monitor performances."

—Former Defense Energy
Region Commander

The Center directs DESC regions that interface with customers to coordinate supply and transportation and manage matters associated with quality, inventory and the physical condition of fuel terminals.

On any given day, Region personnel manage Defense Fuel Support Point (DFSP) inventories, carry out quality surveillance programs, monitor quality control problems and procedures, and oversee existing or potential environmental control situations.

DESC also depends on its regions to maintain and carry out Emergency Distribution Plans, manage supply of products to consumers in the Region, develop operating levels for DFSPs, monitor changes in terminal tankage, schedule product movements, provide transportation and traffic management aid to move petroleum worldwide, resolve freight shipment discrepancies, and establish and review pipeline operating agreements. They make periodic checks on contractor-operated bulk storage facilities to evaluate management of government property, document stock reporting by contractors, monitor fuel disposal actions and problems—and much more.

Region offices are strategically located around the world. Offices in the United States, Europe, the Pacific and the Middle East help keep the Center geographically close to customers.

Defense Energy Support Center-Americas Houston, Texas

Defense Energy Support Center-Americas (DESC-A) is the DESC agent for bulk fuel and additive distribution in the continental United States and selected overseas locations. DESC-A's area of responsibility (AOR) extends to Central and South America, the Caribbean, Greenland, Iceland and the Azores, and includes support to CONUS war fighting CINCS such as USACOM, USSOUTHCOM and SOCOM.

DESC-Americas' mission is to provide uninterrupted fuel support to its customers in peace and war—providing quality fuel, in the right place and quantity, at the right time. Core organizational specialties include inventory and transportation management, facilities management and quality surveillance.

Headquartered in Houston, Texas, DESC-A fuels the forces across the country. From coast to coast, DESC-A ships about 95 million barrels of fuel each year, supporting over 425 customers from 28 Defense Fuel Support Points and 36 tariff terminals.

Common carrier pipelines provide high-volume, economical transportation from strategic refineries, primarily on the West and Gulf Coasts, to customers and intermediate terminals as far north as Grand Forks, North Dakota, and east to Norfolk, Virginia. Other significant transportation requirements are met by barge, tank truck, rail car and marine tanker.

DESC-Americas serves as the Center's liaison with its customers. Local customer support is provided through DESC-A's four offices: DESC-Los Angeles, which provides fuel to customers in California,

Oregon, Washington, Idaho, Montana, Utah and Nevada; DESC-Houston, which provides fuel to Arizona, New Mexico, Texas, Oklahoma, Tennessee, Louisiana, Arkansas (resupply only), Mississippi, Alabama, Georgia, South Carolina and Florida, and oversight of fuel supply for Puerto Rico, Cuba's Guantanamo Bay, Panama, Central America and South America; DESC-St. Louis, whose AOR is Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Pennsylvania, South Dakota, Wisconsin, West Virginia, Wyoming, Utah and Montana; and DESC-Ft. Dix, which oversees North Carolina, Virginia, Maryland, the District of Columbia, Delaware, Pennsylvania, New Jersey, New York, Connecticut, Rhode Island, New Hampshire, Massachusetts, Maine and Vermont as well as oversight for Greenland, Iceland and the Azores.

Through its four offices and 28 Quality Surveillance Residencies, DESC-A provides daily face-to-face interaction with its customers, the petroleum industry and the carrier industry. The Military Services are accustomed to the "one-stop shopping" advantage they get by contacting the office in their area—one office that coordinates all quality, transportation, inventory, accounting and supply actions.



Overseas Regions

DESC-Middle East Juffair, Bahrain

The Defense Energy Support Center's presence to support operations in the Middle East is critical. To coordinate fuel-related activities, DESC-Middle East is located with the U.S. Navy Administrative Support Unit in Juffair, Bahrain.

In 1932, oil was discovered in Bahrain. Shortly thereafter, in the 1940s, an office called "Navy Petroleum Products Middle East" was established and eventually evolved into the present-day DESC-Middle East (DESC-ME). Part of its heritage includes being a Defense Fuel Quality Assurance Residency Office under Defense Fuel Region-Europe from 1972 to 1984. This office was redesignated a Defense Fuel Region in 1984 when U.S. Central Command was established replacing the Rapid Deployment Joint Task Force.

DESC-Middle East is responsible for petroleum logistics in the following countries: Saudi Arabia, Kuwait, Qatar, Oman, United Arab Emirates, Yemen, Jordan, Iraq, Iran, Afghanistan, Pakistan, Egypt, Sudan, Eritrea, Djibouti, Ethiopia, Somalia, Kenya, Kazakhstan, Uzbekistan, Tajikistan, Kyrgystan, Turkmenistan, Seychelles and the Mauritius Islands.

Fuel storage is a primary need within the Middle East. To meet U.S. requirements, DESC-ME uses commercial contractors to store and issue fuel stocks to U.S. and allied nations throughout the region. Storage capacity nears 5.5 million barrels and accommodates JP-5 jet fuel, F-76 Navy distillate fuel, and Jet A-1, a commercial jet fuel.

DESC-ME has played an integral role in intensive military operations since the beginning of the decade. During Operations Desert Shield and Desert Storm from 1990 to 1991, DESC-Middle East arranged fuel issues totaling more than 45 million barrels. Almost immediately after the end of Desert Storm, Operation Southern Watch began. This operation is the ongoing enforcement of United Nations sanctions imposed on Iraq, including the no-fly zone in Southern Iraq and the Arabian Gulf. In November 1992, DESC-Middle East supported Operation Restore Hope, which provided



Whether in Desert Shield/Storm or some other contingency operation, DESC's mission is getting fuel to its customers.

humanitarian assistance in Somalia. The list continues to grow with Operations Vigilant Warrior, Vigilant Sentinel and numerous Airpower Expeditionary Force deployments and major joint exercises throughout the region.

DESC-ME's quality surveillance representatives enjoy the title "petroleum logistics officer" because much of their work pertains to staffing and arranging petroleum support for deployed forces of U.S. Central Command.

On a typical day, petroleum logistics officers assigned to DESC-Middle East work with one of the Military Services to determine ways to obtain fuel support for special missions or exercises. They gather port or refinery data to assist U.S. Central Command war planners and arrange travel to load or off-load vessels. The officers also conduct Defense Fuel Supply Point inventories and inspections, help contractors get paid, explain the "system" to new personnel, explain to Third World country nationals what their contract requires them to do, and assist joint forces in the region to resolve problems with fuel support.

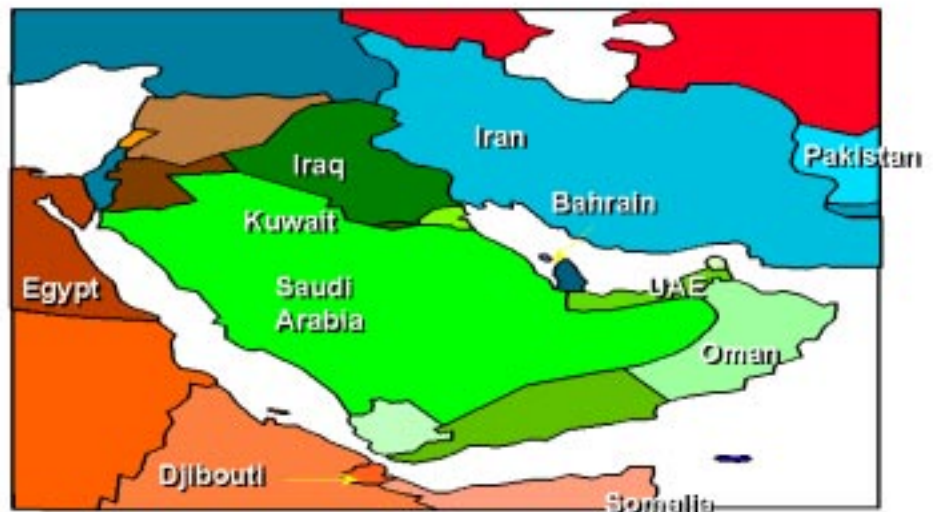
The adverse and harsh environmental elements, coupled with the diverse population, create both



Collapsible bladders (fuel bags) give the military the ability to set up fueling networks worldwide when the normal infrastructure is not readily available.

rewarding and challenging experiences for DESC-ME employees. No matter what the obstacle, DESC-Middle East's mission is to provide *the right fuel, in the right quality, at the right place, at the right price, at the right time*. The Defense Energy Support Center-Middle East takes tremendous pride in its success toward achieving that goal.

Defense Energy Support Center-Middle East



Overseas Regions

DESC-Europe Wiesbaden, Germany

Although DESC's motto is "We Fuel the Forces," those forces aren't always limited to the U.S. Military Services. Defense Energy Support Center-Europe, located in Wiesbaden, Germany, is the theater item manager for bulk fuel distribution and storage in Europe. The forces supported by DESC-Europe (DESC-E) include NATO, former Soviet Bloc nations and most forces currently operating in the former Yugoslavia. DESC-E also supports other friendly nations' organizations, including those operating under the auspices of the United Nations. The office conducts operations within an area roughly bordered by the west coast of Europe, the Ukraine on the east, to the southern most tip of Africa.

DESC-Europe consists of two divisions—Operations and Support, and three energy offices located in Central Europe, the United Kingdom and the Mediterranean.

The Operations Division of DESC-E is subdivided into three teams, allowing it to better support its customers.

The Logistics Management Team handles the day-to-day inventory and distribution management activities. These activities include monitoring of theater inventory levels, coordinating transportation requirements and DFAMS/FAS, and monitoring contracts.

The Logistics Plans Team handles fuel planning requirements. These duties include coordination of international agreements, theater fuel exchange and Replacement in Kind agreements, and review of theater Operational Plans and Contingency Plans to ensure sufficient fuel stocks are available to meet CINC requirements.

The Logistics Support Team manages all activities relating to contingency operations, command and control, mobility, and security/force protection. These activities encompass monitoring of day-to-day contingency support, preparation for future contingencies (Africa site surveys, into-plane locations and provision of fuel additives), and

Defense Energy Support Center-Europe



maintaining a contingency database for fuel support throughout the U.S. European Command.

The Support Division of DESC-Europe is composed of Administration and Budget for internal support as well as Facilities, Quality and Contracting sections that provide direct support to the customers.

The facilities section initiates, reviews, prioritizes and submits for funding major repair and upgrade projects at Defense Fuel Support Points (DFSPs). The section maintains administrative oversight of those projects by tracking project status and through site visits and validating the use of funds. Additionally, the section assists in contingency operations by providing assessments of proposed support sites, limited on-site technical support, and oversight of the operation of DESC-E-owned equipment.

Quality support includes the quality surveillance mission throughout the theater, including the Petroleum Laboratory in Kaiserslautern, Germany. In conjunction with the quality surveillance representatives assigned to both the quality staff and the energy offices, this section provides technical expertise to the European Command components, the DESC-Europe commander, and the commercial petroleum industry. With the help of the U.S. Army's 49th QM Gp and the Contingency Control Center at DESC, the quality section has been able to both support increased QS missions in the Balkans and to provide quality assurance assistance to the DCMC-T mission there.

The Contracting Office provides forward procurement support to DESC by awarding

contingency contracts, issuing small purchases, administering DESC contracts in theater and performing other related functions. In the past, DESC-E contracting has issued contracts in support of U.S. State Department and Defense Threat Reduction Agency requirements in the former Soviet Union, as well as peacekeeping requirements for multinational personnel deployed on behalf of the Balkans mission. DESC's ability to award local contracts is critical to providing the support needed to our customers within DESC-Europe's area of responsibility.

The professional employees of Defense Energy Support Center-Miesau manage fuel supply, distribution, storage facilities, heating fuels and daily operational requirements within Central Europe. Twenty-five employees, located at headquarters at Miesau Army Depot, Germany, and the Mannheim-Rheinau coal yard, are responsible for 25 central European countries, including Finland and the former Yugoslavia.

Within the DESC-Miesau area of responsibility there are nine Defense Fuel Support Points (DFSPs) and two pipeline systems—the Northern European Pipeline System (NEPS) and the Central European Pipeline System (CEPS). DESC-Miesau manages more than 100 million gallons of fuel stored and issued from the two pipelines annually.

Defense Energy Support Center-Camp Darby ensures the proper accountability over its bulk fuel inventory with a capacity exceeding six million barrels, manages the budgets for host nation-operated NATO depots, and assists with the administration of commercial storage contracts, while maintaining strict adherence to all quality surveillance requirements. DESC-Camp Darby's area of responsibility includes Spain, Italy, Greece and Turkey, with offices located in Rota (Spain), Camp Darby (Italy), Naval Air Station Sigonella (Italy), and Incirlik Air Base (Turkey).

With headquarters located near Pisa, Italy, DESC-Camp Darby is responsible for four NATO depots in Italy and Greece, two Contractor-

Owned, Contractor-Operated (COCO) facilities, NATO's Northern Italian Pipeline System (NIPS) and the Augusta-Sigonella pipeline. As the Contracting Officer's Representative for the NIPS contract, DESC-Camp Darby ensures sustained fuel support to Aviano Air Base, headquarters of the 16th Air Force. DESC-Camp Darby liaisons with the Italian and Greek Ministries of Defense to formulate and review annual budgets for its NATO depots.

DESC-Rota, with its office at Naval Station Rota in Spain, manages DLA-owned fuel stored throughout the Spanish Pipeline System (SPS). DESC-Incirlik, located at Incirlik Air Base, Turkey, is responsible for oversight of DLA-owned fuel stored throughout the Turkish NATO Pipeline System (TNPS), Yumurtalik Pipeline, and five Turkish COCO facilities.

The Defense Energy Support Center-London acts as the Area Petroleum Management Office for the United Kingdom and Norway. DESC-London's mission is "to provide our customers comprehensive



Members of the DER-E contracting team work out the final details of a contract with the Hungarian company, INA, to supply fuel to Role Specialist Nations.

energy support in the most cost-effective and economical manner possible."

DESC-London is responsible for tanker and refinery resupply, inland transportation services, quality surveillance, inventory management, and funding for pipeline and storage facilities within the United Kingdom and Norway. DESC-London has a team of eight professionals located at the MOD Complex in Eastcote, near London, where they manage DESC interests in the UK Government Pipelines and Storages System (GPSS), three Scottish NATO depots and eleven locations in Norway. The GPSS provides the USAF with aviation fuel at its main operating bases in the UK.

Overseas Regions

DESC-Pacific Camp Smith, Hawaii

Defense Energy Support Center-Pacific is the DESC's largest geographic fuel region. It covers 40 percent of the earth's surface, consists of 61 Defense Fuel Support Points (DFSPs), has total storage capabilities of more than 25 million barrels of fuel and spans 10 time zones.

DESC-Pacific (DESC-P) maintains constant supervision over product inventory. Employees coordinate maintenance of facilities, resupply and unique transportation requirements, and keep an ever-present finger on the pulse of product quality throughout the region.

DESC-P has Defense Fuel Support Points located in Hawaii, Alaska, Guam, Japan, Okinawa, Korea, Singapore, Diego Garcia, Wake Island, Johnston Atoll and Kwajalein Atoll. DESC-Pacific provides petroleum support to every military agency in this area and to host nations in foreign countries. The combined annual issues total more than 16 million barrels.

With DFSPs and customers spanning such a large portion of the world, DESC-Pacific has offices located in Alaska, Korea and Japan to assist the

Defense Energy Support Center in providing uninterrupted fuel support.

DESC-Anchorage performs several critical tasks. From overseeing the Cool Barge program that provides barge deliveries to Northern Alaska customers during thaw periods, to coordinating resupply of quality product via the "closed port" program, DESC-Anchorage is responsible for managing truly unique and diverse petroleum resupply programs in an Arctic environment.

Defense Energy Support Center-Taegu, located in Korea, was established and its major mission defined when DESC assumed the responsibility of overseeing the operation of the Trans-Korea Pipeline (TKP). DESC-Taegu is facing a host of interesting challenges. The Korean Ministry of Defense is planning to abandon the TKP that currently delivers petroleum to military bases and replace it with a new pipeline. Clearly, DESC-Taegu, similar to DESC-Middle East, is at the leading edge in supporting war fighters.

DESC-Camp Smith in Hawaii oversees the Hawaiian Islands and much of the critical en route support infrastructure used to flow forces from CONUS to the Far East.

Defense Energy Support Center-Yokota, located at Yokota Air Base, Japan, manages the inventory control and barge/tanker scheduling for both mainland Japan and Okinawa. DESC-Yokota oversees the 83 million gallons of fuel moved annually from six terminals to more than 55 installations. DESC-Yokota also oversees all DESC-funded truck and rail car contracts, ensuring uninterrupted petroleum support in Japan.

DESC-P oversees DESC's complex petroleum mission in the Pacific, but its mission doesn't stop there. With the expertise of the region's energy offices and commanders, and the dedication of all its employees, DESC-Pacific is proactive in tackling fuel support challenges and making continuous process improvements whenever and wherever possible.

Defense Energy Support Center-Pacific



Conclusion

The petroleum industry has evolved tremendously since World War II. The dynamic nature of the fuels business demands that organizations stay on top of technological advances to remain competitive. From the 55-gallon drum, to the fuel truck and onto the latest automatic leak detection systems for pipelines, DESC has remained at the forefront of the petroleum management and distribution industry. A commitment to providing customers with quality service, employees with a challenging and rewarding place to work, and contractors with a reliable, profitable market has guaranteed the Center success over the years.

New cost-saving initiatives are underway so DESC can exercise smart buys, optimize product distribution and transportation, and right-size the organization. These successful initiatives mean tremendous savings to customers and responsible use of taxpayer money.

DESC promotes aggressive programs to keep the Center on the leading edge of new technologies in computer automation. The Fuels Automated System that will be used for all Services integrates existing logistical and financial systems. Use of Electronic Commerce

and Electronic Data Interchange to do business with industry will allow DESC and its trading partners to realize increased accuracy, speedier payments, higher-volume transactions, and reduced time required to exchange information.

As a member of the community, the Center takes the lead in proactively assuring the safety of its neighborhoods. Converting to safer fuels and installing systems that detect the slightest leaks help assure the safety of the surrounding areas. If a spill should occur, response teams well versed in the latest petroleum recovery and remediation techniques are deployed immediately. Local consultants provide on-site assistance to the Region in restoring the community to its original state and keeping residents informed every step of the way.

At DESC, the number one priority is fueling the forces. When men and women in uniform are called upon to defend the nation or assist in a crisis, they respond knowing that the petroleum product they need to complete their missions will be where they need it, when they need it. DESC's "no excuses" philosophy helps to fuel the forces around the globe, plays a part in getting your mail to you and keeps Lady Liberty shining bright. That's a partnership in which all can share.

DESC

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